CONSOLIDATED WATERBERG DISTRICT MUNICIPALITY/ WATERBERG ECONOMIC DEVELOPMENT AGENCY

PRE-AUDITED ANNUAL FINANCIAL STATEMENTS 2018/2019

30 SEPTEMBER 2019

INDEX

The reports and statements set out below comprise the annual financial statements:

CONTENTS ***PAGE(s)***

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Nature of business and principal activities	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
The following is included in the scope of operation	
Members of Council	
Executive Mayor	S.M. Mataboge
Speaker	K.S. Lamola
Chief Whip	M.A. Tsebe
Mayoral Committee member	T.A. Mashamaite
Mayoral Committee member	F. Hlungwane
Mayoral Committee member	M.P. Sebatjane
Mayoral Committee member	R.M. Radebe
Mayoral Committee member	K.R. Mokwena
Mayoral Committee member	M.R. Boloka
MPAC Chairperson	N. S Montane
Councillor	D.E. De Beer
Councillor	M.J. Gumede
Councillor	K. C Khotsa
Councillor	N. Laubscher
Councillor	S.C. Majoko
Councillor	N.S. Monyamane
Councillor	C.C.S. Motsepe
Councillor	S.R. Mphahlele
Councillor	M.B Baloyi
Councillor	CF.Z. Esply
Councillor	B.N. Magongwa
Councillor	R.D. Mampeule
Councillor	B.S. Marema
Councillor	R. Maropeng
Councillor	B. Mocke
Councillor	M.T. Mogale
Councillor	P. Molekwa
Councillor	T.E. Monama
Councillor	R.N. Monene
Councillor	L.K. Satege
Councillor	M.J. Selokela
Councillor	S.C.G. Senosha
Councillor	M.S.Tefu
Councillor	M.S. Thobane
Councillor	K.H Niewenhuis
Grading of district municipality	Grade 4
Accounting Officer	M.M.Maluleka
Acting Chief Financial Officer (CFO)	C.P.Hoffman
Registered office	44 Harry Gwala Street

General Information

	Modimolle Limpopo 0510
Business address	44 Harry Gwala Street Modimolle Limpopo 0510
Postal address	Private Bag X1018 Modimolle Limpopo 0510
Bankers	ABSA Bank Modimolle
Auditors	Auditor General (SA)
Attorneys	Mohale Incorporated

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
IFRS	International Financial Reporting Standards
GRAP	Generally Recognised Accounting Practice
ME	Municipal Entities
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
WEDA	Waterberg Economic Development Agency
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
ASB	Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5-60, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the group's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is substantially dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The accounting officer certify that the salaries, allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The financial statements set out on pages 5 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2019 and were signed on its behalf by:

M.M. Maluleka
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 September 2019.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net deficit of the group was R 13 393 159 (2018: deficit R 3 976 790).

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

There was a Board meeting in October discussiing the continuition of WEDA and a decision was taken to disestablish WEDA due to a lack of funding. Waterberg District Municipality's Council resolved to disestablish WEDA on 30 May 2019, resolution number A211/2019

3. Subsequent events

Subsequent to the reporting period, the Chief Financial Officer has resigned and hist last day was 31 of July 2017. An interim acting Chief Financial Officer was appointed by the Council as required by the Municipal System Act.

4. Corporate governance

The Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The remuneration of the accounting officer and section 56 managers are determined by the upper limits for senior managers.

Audit committee

Adv. JL Thubakgale was the chairperson of the audit committee for the financial year under review.
In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the audit committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors of the municipality onto the audit committee.

Internal audit

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003

5. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

6. Auditors

The Municipality is audited by the Auditor General (SA)

Statement of Financial Position as at 30 June 2019

		Group		Municipality	
	Note(s)	2019	2018 Restated*	2019	2018 Restated*
Assets					
Current Assets					
Cash and cash equivalents	3	90 765 686	99 109 893	90 765 686	95 954 222
Trade and other receivables from exchange transactions	4	1 015 329	1 896 626	54 978	54 978
Receivables from non-exchange transactions	5	91 222	216 893	91 222	216 893
Inventories	6	106 467	107 944	106 467	105 129
Held-to maturity investments	7	-	34 584 886	-	34 584 686
VAT receivable	8	6 265 546	1 767 428	6 265 546	1 767 428
		98 244 250	137 683 470	97 283 899	132 683 336
Non-Current Assets					
Property, plant and equipment	9	69 911 188	48 766 921	69 911 188	48 655 097
Intangible assets	10	1 753 218	1 906 122	1 753 218	1 906 122
Non-current receivables	11	54 777	54 775	54 777	54 775
		71 719 183	50 727 818	71 719 183	50 615 994
Non-Current Assets		71 719 183	50 727 818	71 719 183	50 615 994
Current Assets		98 244 250	137 683 470	97 283 899	132 683 336
Total Assets		169 963 433	188 411 288	169 003 082	183 299 330
Liabilities					
Current Liabilities					
Payables from exchange transactions	12	4 584 285	5 221 919	4 554 398	4 493 294
Other payables from non-exchange transactions	13	12 669 653	11 009 561	12 669 653	11 009 561
Consumer deposits	14	2 000	2 000	2 000	2 000
Unspent conditional grants and receipts	15	186 182	8 796 034	114 581	8 724 433
Employee benefit obligation	16	728 992	642 745	728 992	642 745
Long service award liability	17	510 933	243 149	510 933	243 149
		18 682 045	25 915 408	18 580 557	25 115 182
Non-Current Liabilities					
Employee benefit obligation	18	26 162 441	24 335 143	26 162 441	24 335 143
Long service award liability	17	3 499 835	3 148 467	3 499 835	3 148 467
		29 662 276	27 483 610	29 662 276	27 483 610
Non-Current Liabilities		29 662 276	27 483 610	29 662 276	27 483 610
Current Liabilities		18 682 045	25 915 408	18 580 557	25 115 182
Total Liabilities		48 344 321	53 399 018	48 242 833	52 598 792
Assets		169 963 433	188 411 288	169 003 082	183 299 330
Liabilities		(48 344 321)	(53 399 018)	(48 242 833)	(52 598 792)
Net Assets		121 619 112	135 012 270	120 760 249	130 700 538
Accumulated surplus		121 619 112	135 012 270	120 760 249	130 700 538

* See Note 39

Statement of Financial Performance

	Note(s)	Group 2019	Group 2018 Restated*	Municipality 2019	Municipality 2018 Restated*
Revenue					
Revenue from exchange transactions					
Service charges		929 198	1 061 089	929 198	1 061 089
Interest earned - External investments	18	10 575 486	11 490 576	10 575 486	11 490 576
Interest earned - Receivables	18	169	64	169	64
Other income	19	69 987	3 026 561	69 987	26 561
Total revenue from exchange transactions		**11 574 840**	**15 578 290**	**11 574 840**	**12 578 290**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	20	126 109 594	122 560 956	126 109 594	121 975 023
Public contributions and donations		3 152 842	-	3 152 842	-
Total revenue from non-exchange transactions		**129 262 436**	**122 560 956**	**129 262 436**	**121 975 023**
		11 574 840	15 578 290	11 574 840	12 578 290
		129 262 436	122 560 956	129 262 436	121 975 023
Total revenue		**140 837 276**	**138 139 246**	**140 837 276**	**134 553 313**
Expenditure					
Employee related costs	21	(89 878 056)	(81 931 295)	(89 878 056)	(81 931 295)
Remuneration of councillors	22	(10 233 945)	(7 893 985)	(10 233 945)	(7 893 985)
Depreciation and amortisation	23	(5 111 149)	(6 478 239)	(5 083 193)	(6 478 239)
Project expenditure	24	(6 131 817)	(8 042 747)	(6 131 817)	(8 042 747)
General Expenses	25	(42 875 468)	(37 769 770)	(39 450 554)	(36 387 557)
Total expenditure		**(154 230 435)**	**(142 116 036)**	**(150 777 565)**	**(140 733 823)**
Operating surplus/deficit		-	-	-	-
Deficit before taxation		(13 393 159)	(3 976 790)	(9 940 289)	(6 180 510)
Taxation		-	-	-	-
Deficit for the year		**(13 393 159)**	**(3 976 790)**	**(9 940 289)**	**(6 180 510)**

* See Note 39

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Group		
Balance at 01 July 2017	**138 989 060**	**138 989 060**
Changes in net assets		
Surplus for the year	(3 976 790)	(3 976 790)
Total changes	(3 976 790)	(3 976 790)
Opening balance as previously reported	135 012 270	135 012 270
Adjustments		
Correction of errors	681 799	681 799
Restated* Balance at 01 July 2018 as restated*	**135 012 271**	**135 012 271**
Changes in net assets		
Surplus for the year	(13 393 159)	(13 393 159)
Total changes	(13 393 159)	(13 393 159)
Balance at 30 June 2019	**121 619 112**	**121 619 112**
Note(s)		
Municipality		
Balance at 01 July 2017	**136 881 048**	**136 881 048**
Prior period error	681 799	681 799
Net surplus / (Deficit) for the year	(6 180 510)	(6 180 510)
Net Surplus (Deficit) for the year	(5 498 711)	(5 498 711)
Restated* Balance at 01 July 2018	**130 700 538**	**130 700 538**
Net Surplus / (Deficit) for the year	(9 940 289)	(9 940 289)
Balance at 30 June 2019	**120 760 249**	**120 760 249**

* See Note 39

Cash Flow Statement

	Note(s)	Group 2019	Group 2018 Restated*	Municipality 2019	Municipality 2018 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		929 198	163 005	929 198	163 005
Grants		117 499 742	120 688 930	117 499 742	120 668 930
Interest income - Investments		10 575 486	11 490 576	10 575 486	11 490 576
Other receipts		3 233 729	26 561	3 233 729	26 561
		132 238 155	132 349 072	132 238 155	132 349 072
Payments					
Employee costs		(98 451 909)	(89 825 280)	(98 451 909)	(89 825 280)
Suppliers		(47 983 069)	(41 373 062)	(47 361 090)	(41 370 149)
Other payments	38	(3 152 842)	-	-	-
		(149 587 820)	(131 198 342)	(145 813 000)	(131 195 429)
Total receipts		132 238 155	132 349 072	132 238 155	132 349 072
Total payments		(149 587 820)	(131 198 342)	(145 813 000)	(131 195 429)
Net cash flows from operating activities	26	**(16 730 346)**	**1 150 794**	**(13 574 674)**	**1 153 707**
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(26 154 508)	(2 073 381)	(26 750 131)	(2 073 381)
Loss from sale of property, plant and equipment	9	-	567 573	-	567 573
Purchase of other intangible assets	10	(44 041)	(78 000)	(88 812)	(78 000)
Decrease/(Increase) in Held-to-maturity investments		34 584 686	-	34 584 686	-
Net cash flows from investing activities		**8 386 307**	**(1 583 808)**	**8 386 137**	**(1 583 808)**
Cash flows from financing activities					
Proceeds from shareholders loan		(169)	-	(169)	-
Decrease/(Increase) in Held-to-maturity investments		-	1 593 407	-	1 593 407
Net cash flows from financing activities		**(169)**	**1 593 407**	**(169)**	**1 593 407**
Net increase/(decrease) in cash and cash equivalents		**(8 344 378)**	**1 160 393**	**(5 188 707)**	**1 163 306**
Cash and cash equivalents at the beginning of the year		99 109 893	97 949 500	95 954 222	94 790 916
Cash and cash equivalents at the end of the year	3	**90 765 515**	**99 109 893**	**90 765 515**	**95 954 222**

* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Municipality						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Services charges	2 070 000	-	2 070 000	929 198	(1 140 802)	
Other income	34 000	-	34 000	69 987	35 987	
Interest earned - Investments	10 311 000	1 089 000	11 400 000	10 575 486	(824 514)	
Interest earned - Other	-	-	-	169	169	
Total revenue from exchange transactions	12 415 000	1 089 000	13 504 000	11 574 840	(1 929 160)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	130 142 000	-	130 142 000	126 109 594	(4 032 406)	
Transfers	-	-	-	3 152 842	3 152 842	
Total revenue from non-exchange transactions	130 142 000	-	130 142 000	129 262 436	(879 564)	
'Total revenue from exchange transactions'	12 415 000	1 089 000	13 504 000	11 574 840	(1 929 160)	
'Total revenue from non-exchange transactions'	130 142 000	-	130 142 000	129 262 436	(879 564)	
Total revenue	142 557 000	1 089 000	143 646 000	140 837 276	(2 808 724)	
Expenditure						
Employee related costs	(100 566 000)	(2 569 000)	(103 135 000)	(89 878 056)	13 256 944	
Remuneration of councillors	(8 654 000)	(1 642 000)	(10 296 000)	(10 233 945)	62 055	
Depreciation and amortisation	(6 375 000)	-	(6 375 000)	(5 083 193)	1 291 807	
Transfers and Subsidies	-	-	-	(6 131 817)	(6 131 817)	
General Expenses	(52 924 000)	(46 500 000)	(99 424 000)	(39 450 554)	59 973 446	
Total expenditure	(168 519 000)	(50 711 000)	(219 230 000)	(150 777 565)	68 452 435	
	(25 962 000)	(49 622 000)	(75 584 000)	(9 940 289)	65 643 711	
	-	-	-	-	-	
Deficit before taxation	(25 962 000)	(49 622 000)	(75 584 000)	(9 940 289)	65 643 711	
Surplus before taxation	(25 962 000)	(49 622 000)	(75 584 000)	(9 940 289)	65 643 711	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(25 962 000)	(49 622 000)	(75 584 000)	(9 940 289)	65 643 711	

The above approved final budget excludes rolled over budget approved by council in August 2017.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	115 000	-	115 000	106 467	(8 533)	
Held-to-maturity investments	100 000 000	-	100 000 000	-	(100 000 000)	
Receivables from non-exchange transactions	1 500 000	-	1 500 000	91 222	(1 408 778)	
VAT receivable	-	-	-	6 265 546	6 265 546	
Consumer debtors	15 000	-	15 000	54 978	39 978	
Cash and cash equivalents	6 000 000	-	6 000 000	90 765 686	84 765 686	
	107 630 000	-	107 630 000	97 283 899	(10 346 101)	
Non-Current Assets						
Property, plant and equipment	47 293 000	-	47 293 000	69 911 188	22 618 188	
Intangible assets	397 000	-	397 000	1 753 218	1 356 218	
Non-current receivables	-	-	-	54 777	54 777	
	47 690 000	-	47 690 000	71 719 183	24 029 183	
Non-Current Assets	107 630 000	-	107 630 000	97 283 899	(10 346 101)	
Current Assets	47 690 000	-	47 690 000	71 719 183	24 029 183	
Total Assets	155 320 000	-	155 320 000	169 003 082	13 683 082	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	-	-	33 944 837	33 944 837	
Taxes and transfers payable (non-exchange)	12 863 000	-	12 863 000	12 669 653	(193 347)	
Consumer deposits	-	-	-	2 000	2 000	
Employee benefit obligation	-	-	-	728 992	728 992	
Unspent conditional grants and receipts	-	-	-	114 581	114 581	
Long service award liability	-	-	-	510 933	510 933	
	12 863 000	-	12 863 000	47 970 996	35 107 996	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	26 162 441	26 162 441	
Provisions	25 653 000	-	25 653 000	-	(25 653 000)	
Long service award liability	-	-	-	3 499 835	3 499 835	
	25 653 000	-	25 653 000	29 662 276	4 009 276	
	12 863 000	-	12 863 000	47 970 996	35 107 996	
	25 653 000	-	25 653 000	29 662 276	4 009 276	
	-	-	-	-	-	
Total Liabilities	38 516 000	-	38 516 000	77 633 272	39 117 272	
Assets	155 320 000	-	155 320 000	169 003 082	13 683 082	
Liabilities	(38 516 000)	-	(38 516 000)	(77 633 272)	(39 117 272)	
Net Assets	116 804 000	-	116 804 000	91 369 810	(25 434 190)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	116 804 000	-	**116 804 000**	91 369 810	**(25 434 190)**	

GROUP ANNUAL FINANCIAL STATEMENTS

Financial Statements for the year ended 30 June 2019

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Municipality - 2019											
Financial Performance											
Investment revenue	10 311 000	1 089 000	11 400 000	-		11 400 000	10 575 655		(824 345)	93 %	103 %
Transfers recognised - operational	130 142 000	-	130 142 000	-		130 142 000	126 109 594		(4 032 406)	97 %	97 %
Other own revenue	2 104 000	-	2 104 000	-		2 104 000	999 185		(1 104 815)	47 %	47 %
Total revenue (excluding capital transfers and contributions)	**142 557 000**	**1 089 000**	**143 646 000**	-		**143 646 000**	**137 684 434**		**(5 961 566)**	**96 %**	**97 %**
Employee costs	(100 566 000)	(3 869 000)	(104 435 000)	-	-	(104 435 000)	(89 878 056)	-	14 556 944	86 %	89 %
Remuneration of councillors	(8 654 000)	(342 000)	(8 996 000)	-	-	(8 996 000)	(10 233 945)	-	(1 237 945)	114 %	118 %
Depreciation and asset impairment	(6 375 000)	-	(6 375 000)			(6 375 000)	(5 083 193)	-	1 291 807	80 %	80 %
Transfers and grants	-	-	-	-	-	-	(6 131 817)	-	(6 131 817)	DIV/0 %	DIV/0 %
Other expenditure	(52 924 000)	(46 501 000)	(99 425 000)	-	-	(99 425 000)	(39 450 554)	-	59 974 446	40 %	75 %
Total expenditure	**(168 519 000)**	**(50 712 000)**	**(219 231 000)**	-	-	**(219 231 000)**	**(150 777 565)**	-	**68 453 435**	**69 %**	**89 %**
Total revenue (excluding capital transfers and contributions)	142 557 000	1 089 000	143 646 000	-	-	143 646 000	137 684 434	-	(5 961 566)	96 %	97 %
Total expenditure	(168 519 000)	(50 712 000)	(219 231 000)	-	-	(219 231 000)	(150 777 565)	-	68 453 435	69 %	89 %
Surplus/(Deficit)	**(25 962 000)**	**(49 623 000)**	**(75 585 000)**	-		**(75 585 000)**	**(13 093 131)**		**62 491 869**	**17 %**	**50 %**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contributions recognised - capital and contributed assets	-	-	-	-		-	3 152 842		3 152 842	DIV/0 %	DIV/0 %
Surplus/(Deficit)	(25 962 000)	(49 623 000)	(75 585 000)	-	-	(75 585 000)	(13 093 131)	-	62 491 869	17 %	50 %
Capital transfers and contributions	-	-	-	-	-	-	3 152 842	-	3 152 842	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(25 962 000)**	**(49 623 000)**	**(75 585 000)**	-		**(75 585 000)**	**(9 940 289)**		**65 644 711**	**13 %**	**38 %**
Surplus (Deficit) after capital transfers and contributions	(25 962 000)	(49 623 000)	(75 585 000)	-	-	(75 585 000)	(9 940 289)	-	65 644 711	13 %	38 %
Surplus/(Deficit) for the year	**(25 962 000)**	**(49 623 000)**	**(75 585 000)**	-		**(75 585 000)**	**(9 940 289)**		**65 644 711**	**13 %**	**38 %**

Capital expenditure and funds sources

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, unless explicitly stated.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the group.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the group will continue to operate as a going concern for at least the next 12 months.

There was a Board meeting in October discussiing the continuition of WEDA and a decision was taken to disestablish WEDA due to a lack of funding. Waterberg District Municipality's Council resolved to disestablish WEDA on 30 May 2019, resolution number A211/2019.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The group assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash-generating assets (if applicable)
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Value in use of non-cash-generating assets
The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The group used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. The municipality has no assets of cultural, environmental or historical significance and therefore no heritage assets.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on cost minus the residual value, using the straight line basis over their expected useful lives to their estimated residual value. Land, heritage assets and artwork are not depreciated as it is deemed to have an indefinite useful life.

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Subsequent expenditure is capitalised when it increases the capacity of future economic benefits associated with the asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings and facilities	Straight line	10 to 60
Plant and equipment	Straight line	5 to 25
Furniture and fixtures	Straight line	5 to 37
Motor vehicles	Straight line	3 to 15
Office equipment	Straight line	4 to 36
IT equipment	Straight line	4 to 10
Emergency equipment	Straight line	5 to 10

Accounting Policies

1.5 Property, plant and equipment (continued)

Specialised vehicles	Straight line	5 to 16

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the group or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

The group assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.
Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

1.6 Intangible assets (continued)

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

The amortisation charge for each period is recognised in surplus or deficit.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	4 to 40 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The group has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost

The group has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Payables from exchange transactions	Financial liability measured at amortised cost
Other payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

The group recognises a financial asset or a financial liability in its statement of financial position when the group becomes a party to the contractual provisions of the instrument.

The group recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The group measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The group measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The group first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the group analyses a concessionary loan into its component parts and accounts for each component separately. The group accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The group measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The group assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The group derecognises financial assets using trade date accounting.

The group derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the group, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the group :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Financial liabilities

The group removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another group by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The group recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

1.8 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The group initially measures statutory receivables at their transaction amount.

Subsequent measurement

The group measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the group levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the group is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The group assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the group considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the group measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an group considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Accounting Policies

1.8 Statutory receivables (continued)

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The group derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the group transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the group, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

Finance leases - lessor

The group recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The average payments over the period of the lease are expensed and any difference between the average and actual payment is disclosed as a debtor or creditor in the Statement of Financial Position.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.9 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the effect of item 1 & 2 above on accumulated surplus.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the group incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the group.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the group; or
(b) the number of production or similar units expected to be obtained from the asset by the group.

Criteria developed by the group to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The group assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the group estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the group applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the group:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the group expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the group recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The group assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the group; or
(b) the number of production or similar units expected to be obtained from the asset by the group.

Criteria developed by the group to distinguish non-cash-generating assets from cash-generating assets are as follow:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The group assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the group estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the group recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The group assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the group estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

- an entity's decision to terminate an employee's employment before the normal retirement date; or

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the group recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The group measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the group has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an group provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Accounting Policies

1.13 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligation

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:
- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.14 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. 32.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect .of the same inflow

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.16 Revenue from exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably

Services in-kind

The municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, on a time proportion basis in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met, to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.20 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The group assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the group in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the group concludes that it is not the agent, then it is the principal in the transactions.

The group is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the group has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The group applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the group is an agent.

Recognition

The group, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The group, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The group recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

1.22 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure and where recovered, it is subsequently accounted for as revenue

The recovery of irregular expenditure is based on legislated procedures, and is recognized when the recovery thereof from the responsible officials is probable. The recovery of irregular expenditure is treated as other income.

1.25 Budget information

Group are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 Related parties

The group operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the group, including those charged with the governance of the group in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the group.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Accounting Policies

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The group will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The group will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 Accounting by an agent.

The Municipality recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal. The Municipality also recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirementsof other standards of GRAP.

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The group has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The group has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

Notes to the Financial Statements

2. **New standards and interpretations (continued)**
   - General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
   - IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The group has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 104 (revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The group expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. This Guideline aims to assist entities in achieving the overall financial reporting objective. This Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting ("the Conceptual Framework") and other relevant Standards of GRAP. This Guideline includes examples and case studies to illustrate how an entity may apply the principles in this Guideline, based on specific facts presented.

Notes to the Financial Statements

2. New standards and Interpretations (continued)

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, assessing whether information is material, applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting & References to pronouncements used in the Guideline.

The effective date of the amendment is not yet set by the Minister of Finance.

The group expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The group expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The group expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the group annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

Notes to the Financial Statements

2. **New standards and interpretations (continued)**

The group expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The group expects to adopt the standard for the first time in the 2019/2020 financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The group expects to adopt the standard for the first time in the 2019/2020 financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

Notes to the Financial Statements

2. **New standards and interpretations (continued)**
   - General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
   - IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The group expects to adopt the standard for the first time in the 2019/2020 financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

2. New standards and interpretations (continued)

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The group expects to adopt the standard for the first time in the 2019/2019 financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The group expects to adopt the for the first time in the 2019/2019 financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The group expects to adopt the standard for the first time in the 2019/2019 financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

Notes to the Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The subsequent amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the standard is for years beginning on or after 01 April 2019.

The group expects to adopt the standard for the first time in the 2019/2019 financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The group expects to adopt the standard for the first time in the 2019/2019 financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

GRAP 109: Accounting by Principals and Agents

Notes to the Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This Interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The group expects to adopt the interpretation for the first time in the 2018/2019 financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

2. New standards and interpretations (continued)

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this Interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The group expects to adopt the Interpretation for the first time in the 2018/2019 financial statements.

It is unlikely that the interpretation will have a material impact on the group's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the Interpretation is not yet set by the Minister of Finance.

The group expects to adopt the Interpretation for the first time when the Minister sets the effective date for the Interpretation

It is unlikely that the interpretation will have a material impact on the group's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

Notes to the Financial Statements

2. New standards and interpretations (continued)

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the Interpretation is for years beginning on or after 01 April 2019.

The group expects to adopt the Interpretation for the first time in the 2018/2019 financial statements.

It is unlikely that the interpretation will have a material impact on the group's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the Interpretation is not yet set by the Minister of Finance.

The group expects to adopt the Interpretation for the first time when the Minister sets the effective date for the Interpretation

It is unlikely that the interpretation will have a material impact on the group's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

3. Cash and cash equivalents (continued)

Cash on hand	5 000	5 000	5 000	5 000
Bank balances	177 020	14 907 258	177 020	11 751 587
Short-term deposits	90 583 666	84 197 635	90 583 666	84 197 635
	90 765 686	**99 109 893**	**90 765 686**	**95 954 222**

Short-term deposits

Call deposits	17 131 007	10 928 546	17 131 007	10 928 546
60 Days fixed deposits	10 026 204	32 071 842	10 026 204	32 071 842
90 Days fixed deposits	20 128 795	31 157 631	20 128 795	31 157 631
30 Days fixed deposits	-	10 039 616	-	10 039 616
182 Days fixed deposits	40 144 820	-	40 144 820	-
WEDA transfer	3 152 842	-	3 152 842	-

The municipality had the following bank accounts

Account description	Bank statement balances		Cash book balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
ABSA Bank - Current account: 4086264236	3 077 233	11 751 587	177 020	11 751 587
ABSA Bank - 6 Months investment: 2075332567	-	10 000 000	-	10 025 786
ABSA Bank - Call account: 4089054729	17 000 000	10 000 000	17 131 007	10 928 546
ABSA Bank - 62 Days investment: 2077431816	-	11 000 000	-	11 002 176
ABSA Bank - 32 Days investment: 2076504028	-	10 000 000	-	10 039 616
ABSA Cheque account - 4090669260	3 152 842	-	3 152 842	-
NEDBANK - 63 Days investment: 03/7497571214/000223	-	11 000 000	-	11 043 879
STANDARD BANK - 91 Days investment: 728855100-033	-	10 000 000	-	10 000 000
STANDARD BANK - 90 Days investment: 728855100-034	-	10 000 000	-	10 000 000
STANDARD BANK - 95 Days investment: 728855100-035	-	11 000 000	-	11 066 054
FIRST NATIONAL BANK - 182 days 74773060526	20 000 000	-	20 008 710	-
NEDBANK - 182 Days investment: 03/7497571214/000230	20 000 000	-	20 136 110	-
NEDBANK - 91 Days investment: 03/7497571214/000232	10 000 000	-	10 064 521	-
NEDBANK - 91 Days investment: 03/7497571214/000231	10 000 000	-	10 064 274	-
STANDARD BANK - 62 Days investment: 728855100-044	10 013 856	-	10 026 204	-
Petty cash	-	-	5 003	5 200
Total Total	**93 243 931**	**94 751 587**	**90 765 691**	**95 862 844**

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018
4. Other receivables from exchange transactions				
Gross balances				
Receivables from WEDA	960 351	1 841 648	-	-
Abattoir	51 462	51 462	51 462	51 462
Other receivables - councillor salaries	3 516	3 516	3 516	3 516
	1 015 329	**1 896 626**	**54 978**	**54 978**
Less: Allowance for impairment				
Receivables from WEDA	-	-	-	-
Abbattoir	-	-	-	-
Other receivables - councillor salaries	-	-	-	-
	-	-	-	-
Net balance				
Receivables from WEDA	960 351	1 841 648	-	-
Abattoir	51 462	51 462	51 462	51 462
Other receivables - councillor salaries	3 516	3 518	3 516	3 516
	1 015 329	**1 896 626**	**54 978**	**54 978**
Receivables from WEDA				
Current (0 -30 days)	1 073 158	1 841 848	-	-
Abbattoir				
Current (0 -30 days)	51 462	51 462	51 462	51 462
Other receivables - councillor salaries				
Current (0 -30 days)	3 516	3 516	3 516	3 516

Other receivables pledged as security

No other receivables were pledged as security.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

5. Receivables from non-exchange transactions

Sundry debtors	91 222	216 893	91 222	216 893

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018
6. Inventories				
Consumable stores	106 467	107 944	106 467	105 129
Consumables:				
Opening balance	107 944	105 348	105 129	105 348
Additions	731 677	1 603 830	731 677	1 603 830
Disposals	(733 154)	(1 601 233)	(730 339)	(1 604 048)
	106 467	107 944	106 467	105 129

Inventory consists of stationery, fire fighting foam and grass beaters. No inventory is pledged as security. No circumstances or events existed that would have led to the write-down or the reversal of a write-down of inventories.

7. Held-to maturity investments

Designated at fair value				
Held-to-maturity investments	-	34 584 686	-	34 584 686
Terms and conditions				
	-	34 584 686	-	34 584 686
	-	-	-	-
	-	-	-	-
Current assets				
Designated at fair value	-	34 584 686	-	34 584 686
Non-current assets	-	-	-	-
Current assets	-	34 584 686	-	34 584 686

8. VAT

VAT receivable	6 265 546	1 767 428	6 265 546	1 767 428

VAT is accounted for on the payment basis.

9. Property, plant and equipment

Group	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 365 500	-	1 365 500	1 365 500	-	1 365 500
Buildings	38 744 108	(12 875 433)	25 868 675	38 744 108	(11 898 026)	26 846 082
Plant and machinery	5 419 320	(3 242 528)	2 176 792	5 419 735	(2 764 821)	2 654 914
Motor vehicles	58 528 496	(21 118 688)	37 409 808	32 980 511	(18 615 398)	14 365 113
Office equipment	15 018 504	(11 928 091)	3 090 413	14 534 291	(10 998 979)	3 535 312
Total	119 075 928	(49 164 740)	69 911 188	93 044 145	(44 277 224)	48 766 921

9. Property, plant and equipment (continued)

Municipality

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 365 500	-	1 365 500	1 365 500	-	1 365 500
Land and Buildings	38 744 108	(12 875 433)	25 868 675	38 744 108	(11 898 026)	26 846 082
Plant and machinery	5 419 320	(3 242 528)	2 176 792	5 419 735	(2 764 821)	2 654 914
Motor vehicles	58 528 496	(21 118 688)	37 409 808	32 980 511	(18 615 398)	14 365 113
Office equipment	15 018 504	(11 928 091)	3 090 413	14 422 467	(10 998 979)	3 423 488
Total	**119 075 928**	**(49 164 740)**	**69 911 188**	**92 932 321**	**(44 277 224)**	**48 655 097**

Reconciliation of property, plant and equipment - Group 2019

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	1 365 500	-	-	-	-	1 365 500
Buildings	26 846 082	-	-	-	(977 407)	25 868 675
Plant and machinery	2 654 914	-	-	-	(478 122)	2 176 792
Motor vehicles	14 365 113	668 403	-	24 879 582	(2 503 290)	37 409 808
Office equipment	3 535 312	595 623	(83 868)	-	(956 654)	3 090 413
	48 766 921	1 264 026	(83 868)	24 879 582	(4 915 473)	69 911 188

Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Additions	Disposals	Prior period error	Depreciation	Total
Land	1 365 500	-	-	-	-	1 365 500
Buildings	27 563 358	-	-	486 382	(1 203 658)	26 846 082
Plant and machinery	3 238 755	-	-	-	(583 841)	2 654 914
Motor vehicles	18 290 020	1 437 228	(492 687)	-	(2 869 448)	14 365 113
Office equipment	4 907 585	111 824	-	74 886	(1 558 983)	3 535 312
	53 365 218	1 549 052	(492 687)	561 268	(6 215 930)	48 766 921

Reconciliation of property, plant and equipment - Municipality - 2019

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	1 365 500	-	-	-	1 365 500
Buildings	26 846 082	-	-	(977 407)	25 868 675
Plant and machinery	2 654 914	-	-	(478 122)	2 176 792
Motor vehicles	14 365 113	-	25 914 143	(2 869 448)	37 409 808
Office equipment	3 423 488	595 623	-	(1 558 983)	3 090 413
	48 655 097	595 623	25 914 143	(5 883 960)	69 911 188

	Group		Municipality	
	2019	2018	2019	2018

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2018

	Opening balance	Additions	Disposals	Prior period error	Depreciation	Total
Land	1 365 500	-	-	-	-	1 365 500
Buildings	27 563 358	-	-	486 382	(1 203 658)	26 846 082
Plant and machinery	3 238 755	-	-	-	(583 841)	2 654 914
Motor vehicles	16 290 020	1 437 228	(492 687)	-	(2 869 448)	14 365 113
Office equipment	4 907 585	-	-	74 886	(1 558 983)	3 423 488
	53 365 218	**1 437 228**	**(492 687)**	**561 268**	**(6 215 930)**	**48 655 097**

Pledged as security

The municipality reviewed the residual values and estimated useful lives of its assets at the begining of the 2016/17 financial year. The municipality also assessed if there is any indication that an asset needs to be impaired. No indicators of impairment of assets, were found.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

Group	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated Impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 925 173	(2 171 955)	1 753 218	3 882 402	(1 976 280)	1 906 122

Municipality	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 925 173	(2 171 955)	1 753 218	3 882 402	(1 976 280)	1 906 122

Reconciliation of intangible assets - Group 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 906 122	42 771	(195 675)	1 753 218

Reconciliation of intangible assets - Group - 2018

	Opening balance	Additions	Impairment loss	Total
Computer software, other	2 027 769	78 000	(199 647)	1 906 122

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

10. Intangible assets (continued)

Reconciliation of intangible assets - Municipality - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 906 122	42 771	(195 675)	1 753 218

Reconciliation of intangible assets - Municipality - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 027 769	78 000	(199 647)	1 906 122

Pledged as security

The municipality reviewed the residual values and estimated useful lives of its assets at the begining of the 2016/17 financial year. The municipality also assessed if there is any indication that an asset needs to be impaired. No indicators of impairment of assets, except for the assets listed in the note below, were found.

11. Non-current receivables

	Group 2019	Group 2018	Municipality 2019	Municipality 2018
Heading				
Water and electricity			2 025	2 025
Office rentals			32 750	32 750
Telephone			20 000	20 000
			54 775	54 775

Deposit water and electricity

These are deposits paid for water and electricity services, rental of office space in Mokopane and Thabazimbi for environmental health officials and VOIP telephone.

12. Payables from exchange transactions

	Group 2019	Group 2018	Municipality 2019	Municipality 2018
Trade payables	4 437 756	4 333 713	4 437 756	4 333 713
Retentions	116 642	159 581	116 642	159 581
Accruals	29 887	142 692	-	-
Other creditors	-	585 933	-	-
	4 584 285	5 221 919	4 554 398	4 493 294

13. Other payables from non-exchange transactions

	Group 2019	Group 2018	Municipality 2019	Municipality 2018
Accruals for leave	10 849 848	9 330 256	10 849 848	9 330 256
Accruals for bonuses	1 819 805	1 679 305	1 819 805	1 679 305
	12 669 653	11 009 561	12 669 653	11 009 561

The fair value of other payables approximates their carrying amounts.

14. Consumer deposits

	Group 2019	Group 2018	Municipality 2019	Municipality 2018
Abattoir	2 000	2 000	2 000	2 000

	Group		Municipality	
	2019	2018	2019	2018

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Municipal Systems Improvement Grant	71 601	71 601	-	-
Municipal Infrastructure Grant	67 787	7 098 639	67 787	7 098 639
EPWP Incentive Grant	-	1 000 000	-	1 000 000
LEDET Grant	134	579 134	134	579 134
Heading				
Tourism Grant	46 660	46 660	46 660	46 660
	186 182	**8 796 034**	**114 581**	**8 724 433**

See note 20 for reconciliation of grants from National/Provincial Government.

16. Employee benefit obligations

Defined benefit plan

The municipality contributes to a number of defined contribution schemes for pension of all permanent employees and councillors. The funds are governed by the Pension Funds Act of 1956.

The following are defined contribution plans:
- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipal Councillors Pension Fund

The municipality also provides certain post-retirement medical benefits to qualifying pensioners. All post-retirement medical benefits are unfunded.

The following are defined benefit plans:
- LA Health
- SAMWU Med
- Bonitas Medical Fund
- Key Health Medical Scheme
- Hosmed

In accordance with prevailing legislation, the defined benefit funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest actuarial valuation was performed as at 30 June 2019.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions. The municipality intends to continue to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

The accumulated defined benefit obligation in respect of the post-retirement medical contributions are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

16. Employee benefit obligations (continued)

Movement in the employee healthcare benefit liability:

	Group		Municipality	
Carrying value				
Opening balance	(24 977 889)	(23 164 166)	(24 977 889)	(23 184 166)
Medical contributions for continuation pensioners	642 745	682 715	642 745	682 715
Current service costs	(1 279 015)	(1 275 339)	(1 279 015)	(1 275 339)
Current interest costs	(2 387 469)	(2 249 441)	(2 387 469)	(2 249 441)
Actuarial (gain) loss over financial year	1 110 195	1 028 343	1 110 195	1 028 343
Unfunded accrued liability as at 30 June	**(26 891 433)**	**(24 977 888)**	**(26 891 433)**	**(24 977 888)**

Non-current liabilities	(26 162 441)	(24 335 143)	(26 162 441)	(24 335 143)
Current liabilities	(728 992)	(642 745)	(728 992)	(642 745)
	(26 891 433)	**(24 977 888)**	**(26 891 433)**	**(24 977 888)**

The liability as at 30 June consists of:				
In-service (employee) members	(17 404 337)	(16 097 312)	(17 404 337)	(16 097 312)
Continuation members	(8 598 563)	(8 057 782)	(8 598 563)	(8 057 782)
In-service (employee) non-members	(888 534)	(822 794)	(888 534)	(822 794)
	(26 891 433)	(24 977 888)	(26 891 433)	(24 977 888)

Net expense recognised in the the effect of item 1 & 2 above on accumulated surplus

Current service cost	1 279 015	1 275 340	1 279 015	1 275 340
Interest cost	2 387 469	2 249 441	2 387 469	2 249 441
Actuarial (gains) losses	(1 110 194)	(1 028 343)	(1 110 194)	(1 028 343)
	2 556 290	2 496 438	2 556 290	2 496 438

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.57 %	9.68 %	10.57 %	9.68 %
Medical cost trend rates	7.91 %	7.44 %	7.91 %	7.44 %

Average remaining future working lifetime 14.33 years

16. Employee benefit obligations (continued)

Defined benefit obligation

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Medical inflation rate:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Accrued liability	31 149 929	23 405 116	31 149 929	23 405 116
Current service costs	1 778 338	1 202 012	1 778 338	1 202 012
Interest cost	3 251 582	2 433 333	3 251 582	2 433 333

Discount rate:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Accrued liability	31 027 347	23 550 065	31 027 347	23 550 065
Current service costs	1 756 319	1 220 647	1 756 319	1 220 647
Interest cost	2 932 398	2 680 107	2 932 398	2 680 107

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	26 891 434	24 977 888	23 164 165	23 051 093	21 728 016

17. Long service award liability

The municipality provides long-service awards to its permanent employees.

The benefit of long-service award is provided in the form of annual leave and a gift to a certain monetary value.

In accordance with prevailing legislation, the provision is actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest actuarial valuation was performed as at 30 June 2019.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

17. Long service award liability (continued)

Movement in the long-service award liability:				
Liability as at 01 July	3 391 616	3 088 366	3 391 616	3 088 366
Benefits paid	(243 149)	(330 220)	(243 149)	(330 220)
Current service costs	349 322	331 081	349 322	331 081
Interest	278 164	246 805	278 164	246 805
Actuarial losses / (gains) recognised in Statement of Financial Performance	234 815	55 584	234 815	55 584
Unfunded accrued liability as at 30 June	**4 010 768**	**3 391 616**	**4 010 768**	**3 391 616**

Current portion of liability as at 30 June	510 933	243 149	510 933	243 149
Non-current portion of liability as at 30 June	3 499 835	3 148 467	3 499 835	3 148 467
	4 010 768	**3 391 616**	**4 010 768**	**3 391 616**

Expense recognised in (profit) or loss:				
Current service cost	349 322	331 081	349 322	331 081
Interest costs	278 164	246 805	278 164	246 805
Actuarial losses / gains	234 815	55 584	234 815	55 584
	862 301	633 470	862 301	633 470

Principal actuarial assumptions of valuation model used:

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.02 %	8.50 %	8.02 %	8.50 %
Medical cost trend rates	5.34 %	6.13 %	5.34 %	6.13 %

Assumed general salary inflation rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed general inflation rates would have the following effects:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Accrued liability	4 218 042	3 818 924	4 218 042	3 818 924
Current service costs	383 450	340 229	383 450	340 229
Interest costs	317 799	302 894	317 799	302 894

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	4 010 768	3 391 616	3 088 366	2 863 535	2 520 499

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018
18. Interest earned				
Dividend revenue				
Abattoir services	169	64	169	64
Interest revenue				
Bank	508 541	587 291	508 541	587 291
Short-term investments	10 066 945	10 903 285	10 068 945	10 903 285
	10 575 486	**11 490 576**	**10 575 486**	**11 490 576**
	169	64	169	64
	10 575 486	11 490 576	10 575 486	11 490 576
	10 575 655	**11 490 640**	**10 575 655**	**11 490 640**

19. Other Income

	Group 2019	Group 2018	Municipality 2019	Municipality 2018
Miscellaneous income	14 987	15 596	14 987	15 596
Public contributions and donations	-	3 000 000	-	-
Tender document fees	55 000	10 965	55 000	10 965
	69 987	**3 026 561**	**69 987**	**26 561**

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

20. Government grants and subsidies

Operating grants				
Equitable share	122 853 994	117 372 513	122 853 994	117 372 513
LG SETA Grant	122 600	102 600	122 600	102 600
Rural Road Asset Management Grant	2 133 000	1 549 910	2 133 000	1 549 910
Government grant	-	585 933	-	-
LEDET Biosphere Grant	-	200 000	-	200 000
Finance Management Grant	1 000 000	1 250 000	1 000 000	1 250 000
	126 109 594	121 060 956	126 109 594	120 475 023
Capital grants				
Municipal Infrastructure Grant	-	1 500 000	-	1 500 000
	-	1 500 000	-	1 500 000
	126 109 594	**122 560 956**	**126 109 594**	**121 975 023**

Equitable Share

The equitable share is an unconditional grant and is utilised to fund disaster management services, environmental health services, projects and operating expenditure.

Government Grant

Balance unspent at beginning of year	71 601	657 534	71 601	657 534
Current-year receipts	-	(585 933)	-	(585 933)
	71 601	**71 601**	**71 601**	**71 601**

Municipal Infrastructure Grant

Balance unspent at beginning of year	7 098 639	7 061 138	7 098 639	7 061 138
Current-year receipts	-	19 400 000	-	19 400 000
Conditions met - transferred to revenue	(7 030 852)	(1 500 000)	(7 030 852)	(1 500 000)
Other	-	(17 862 499)	-	(17 862 499)
	67 787	**7 098 639**	**67 787**	**7 098 639**

Conditions still to be met - remain liabilities (see note 15).

The original grant was received in March 2016 and is to be used to construct infrastructure assets on behalf of Thabazimbi Local Municipality. Subsequent grant of R 19 400 000 was received in the 2017/2018 financial period.

Finance Management Grant

Current-year receipts	-	1 250 000	-	1 250 000
Conditions met - transferred to revenue	-	(1 250 000)	-	(1 250 000)
	-	-	-	-

The grant is utilised and assist with the implementation of the MFMA and compliance with GRAP.

Tourism Grant

Balance unspent at beginning of year	46 660	46 660	46 660	46 660

Conditions still to be met - remain liabilities (see note 15).

The grant is utilised to fund the development of tourism in the district.

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

20. Government grants and subsidies (continued)

Municipal Water Infrastructure Grant

Balance unspent at beginning of year	-	2 564 661	-	2 564 661
Conditions met - transferred to revenue	-	(2 564 661)	-	(2 564 661)
	-	-	-	-

Waterberg District municipality has been appointed by the Department of Water and Sanitation as a schedule 6B implementing agent of MWIG projects for 3 local municipalities (Modimole LM, Mookgophong LM and Thabazimbi LM) during the 2015/16 financial year.

Expanded Public Works Incentive Grant

Balance unspent at beginning of year	1 000 000	158 022	1 000 000	158 022
Current-year receipts	-	1 000 000	-	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(158 022)	(1 000 000)	(158 022)
	-	**1 000 000**	-	**1 000 000**

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

LG SETA Grant

The grant is utilised for training of officials in the District Municipality.

Rural Road Asset Management Grant

Balance unspent at beginning of year	579 090	2 129 000	579 090	2 129 000
Current-year receipts	2 712 090	-	2 712 090	-
Conditions met - transferred to revenue	(2 133 000)	(1 549 910)	(2 133 000)	(1 549 910)
	-	**579 090**	-	**579 090**

The grant is utilised to set up a district Road Asset Management System and to collect rural data in line with the Road Infrastructure Strategic Framework for South Africa.

Municipal Infrastructure Grant (PMU)

Current-year receipts	-	1 500 000	-	1 500 000
Conditions met - transferred to revenue	-	(1 500 000)	-	(1 500 000)
	-	-	-	-

The grant was received in March 2016 and was used for the establishment of a Project Management Unit for infrastructure projects.

LEDET Biosphere Grant

Balance unspent at beginning of year	-	200 045	-	200 045
Conditions met - transferred to revenue	-	(200 045)	-	(200 045)
	-	-	-	-

The grant is to be utilised to fund the operations of the Waterberg Biosphere Meander.

Changes in level of government grants

20. Government grants and subsidies (continued)

Based on the allocations set out in the Division of Revenue Act, (Act no.10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

21. Employee related costs

Salaries and wages	47 951 619	45 302 865	47 951 619	45 302 865
Travel and other allowances	11 385 475	10 522 290	11 385 475	10 522 290
Contributions for UIF, pension and medical aid and other statutory contributions	23 836 926	20 548 787	23 836 926	20 548 787
Housing benefits and allowances	2 571 417	2 475 000	2 571 417	2 475 000
Overtime allowances	4 132 619	3 082 353	4 132 619	3 082 353
	89 878 056	**81 931 295**	**89 878 056**	**81 931 295**

Remuneration of Municipal Manager

Annual Remuneration	577 272	1 323 121	577 272	1 323 121
Acting allowance	287 058	-	287 058	-
Contributions to UIF, Medical and Pension Funds	124 905	35 300	124 905	35 300
Other	216 839	289 025	216 839	289 025
	1 206 074	**1 647 446**	**1 206 074**	**1 647 446**

The Municipal Manager was appointed in January 2019..

Remuneration of Chief Finance Officer

Annual Remuneration	1 213 901	816 224	1 213 901	818 224
Acting allowance	111 194	-	111 194	-
Performance Bonuses	-	200 856	-	200 856
Contributions to UIF, Medical and Pension Funds	1 785	93 364	1 785	93 364
Other	98 302	-	98 302	-
	1 425 182	**1 110 444**	**1 425 182**	**1 110 444**

The Chief Financial Officer was appointed from 21 January 2016.

Remuneration of Manager: Infrastructure Development

Annual Remuneration	294 216	778 370	294 216	778 370
Acting allowance	93 688	-	93 688	-
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	48 829	138 231	48 829	138 231
Other	11 188	181 190	11 188	181 190
	447 921	**1 097 791**	**447 921**	**1 097 791**

The Infrastructure Development Manager was appointed in November 2018..

Remuneration of Manager: Planning & Economic Development

Annual Remuneration	-	813 215	-	813 773
Acting allowance	109 809	-	109 809	-
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	-	224 306	-	224 306
Other	-	282 794	-	282 794
	109 809	**1 320 315**	**109 809**	**1 320 873**

The Planning and Economic Development manager was vacant for the year under review.

Remuneration of Manager: Corporate Support and Share Services

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018
21. Employee related costs (continued)				
Annual Remuneration	598 556	932 055	598 556	932 055
Acting allowance	109 941	-	109 941	-
Contributions to UIF, Medical and Pension Funds	104 363	227 262	104 363	227 262
Other	15 672	160 891	15 672	160 891
	828 532	**1 320 208**	**828 532**	1 320 208

The Corporate Support & Shared Services manager was appointed in November 2018.

Remuneration of Manager: Social Development and Community Services

Annual Remuneration	-	382 032	-	382 032
Acting allowance	128 513	-	128 513	-
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	-	24 636	-	24 636
Other	-	106 151	-	106 151
	128 513	**512 819**	**128 513**	**512 819**

The Manager Social Development and Community Services was vacant for the year under review.

Remuneration of Manager: Executive Support Office

Acting allowance	3 331	-	3 331	-

The Executive Support Manager contract ended 28 February 2017.

There are no post-employment benefits, other long-term benefits or termination benefits provided to Section 56 managers.

22. Remuneration of councillors

Executive Major	907 995	867 214	907 995	867 214
Speaker	728 870	701 929	728 870	701 929
Mayoral Committee Members	2 335 592	2 235 230	2 335 592	2 235 230
Councillors	5 784 282	3 494 676	5 784 282	3 494 676
Councillors' pension contribution	477 206	594 936	477 206	594 936
	10 233 945	**7 893 985**	**10 233 945**	**7 893 985**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and 3 other Mayoral Committee members are full time councillors. Each is provided with an office, tools of trade and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties and has a driver.

23. Depreciation and amortisation

Property, plant and equipment	4 915 474	6 278 593	4 887 518	6 278 593
Intangible assets	195 675	199 646	195 675	199 646
	5 111 149	**6 478 239**	**5 083 193**	**6 478 239**

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

24. Project expenditure

Project Management FMG Grant Expenditure	443 662	147 983	443 662	147 983
Project Management MM - Strategic planning CO	139 328	264 041	139 328	264 041
Project Management Corporate Job evaluation IN	180 774	55 851	180 774	55 851
National Planning WEDA	972 824	1 501 597	972 824	1 501 597
Maintenance of Unspecified Assets	2 669 225	4 785 897	2 669 225	4 785 897
Project Management Training of Ward Committees	1 726 004	1 287 378	1 726 004	1 287 378
	6 131 817	**8 042 747**	**6 131 817**	**8 042 747**

25. General expenses

Advertising	186 159	276 782	186 159	231 650
Annual report	9 932	62 880	9 932	62 880
Audit fees	2 738 752	2 520 510	2 738 752	2 520 510
Audit committee	-	380 918	-	126 981
Bank charges	44 780	42 243	41 951	39 330
Bursaries	73 815	-	73 815	-
Cleaning	266 532	554 603	266 532	554 603
Conferences and seminars - Delegations	193 244	164 241	193 244	164 241
Contracted services	1 400 573	7 612 255	1 395 482	7 612 255
Consulting and professional fees	3 038 035	1 724 751	3 038 035	1 724 751
Consumables	373 004	541 200	373 004	541 200
Damaged meat claims	466 207	156 097	468 207	-
Discretionary Bursary Fund	130 000	100 000	130 000	100 000
Expenses incurred by WDM on behalf of WEDA	1 528 221	-	1 525 346	-
Employee Assistance Program	496 018	483 205	496 018	483 205
Entertainment	372 449	407 335	372 449	407 335
Environmental Health - awareness & sampling	58 371	78	58 371	78
Financial management grant	-	326 211	-	326 211
Insurance	-	391 612	-	391 612
Long service award expenditure	941 184	563 421	941 184	563 421
Meat inspection	214 652	257 507	214 652	257 507
Miscellaneous expenditure	12 458	605 546	12 458	19 613
Motor vehicle expenses	613 138	477 435	613 138	477 435
Municipal account - water, rates & electricity	-	1 865 911	-	1 865 911
Municipal systems improvement grant	-	285 000	-	-
Postage and courier	2 128	-	2 128	-
Printing and stationery	628 621	539 765	628 621	539 765
Repairs and maintenance	3 561 893	3 282 072	3 561 893	3 282 072
Post-retirement health care expenditure	2 556 290	2 089 719	2 556 290	2 089 719
Subscription and publication	10 400	1 825 674	10 400	1 825 674
Protective clothing	409 884	54 898	409 884	54 698
Rental of buildings / offices	750 991	567 393	659 738	567 393
Rental of office equipment	-	107 420	-	107 420
Security cost	3 350 192	2 289 815	3 350 192	2 289 815
State Of The Nation Addres	223 465	181 612	220 650	175 439
Subscriptions and membership fees	3 243 471	1 172 816	3 243 471	1 172 816
Subscription and publication	-	24 894	-	24 894
Transfers	3 589 288	-	352 578	-
Programming	4 406 753	-	4 406 753	-
Telephone and cell phone expenses	544 398	478 645	544 398	478 645
Training	339 659	384 335	339 659	384 335
Travel and subsistence	6 100 511	4 971 172	6 017 170	4 924 143
	42 875 468	**37 769 771**	**39 450 554**	**36 387 557**

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

26. Cash (used in) generated from operations

Deficit	(13 393 159)	(3 976 790)	(9 940 289)	(6 180 510)
Adjustments for:				
Depreciation and amortisation	4 915 474	6 215 929	4 887 518	6 215 930
Amortisation	196 945	199 647	196 945	199 647
Movements in retirement benefit assets and liabilities	1 913 545	1 813 723	1 913 545	1 813 723
Increase in leave and bonus accrual	1 660 092	1 240 107	1 660 092	1 240 107
Transfers	94 768	-	10 900	-
Increase in long service awards liability	-	303 250	-	303 250
Changes in working capital:				
Inventories	1 478	6 392	(1 338)	219
Receivables from exchange transactions	-	(1 953 864)	-	-
Consumer debtors	911 185	(44 800)	-	(44 800)
Other receivables from non-exchange transactions	125 669	700 290	125 669	700 290
Payables from exchange transactions	-	326 991	-	-
Decrease/(Increase) in VAT receivable	(4 498 125)	(898 084)	(4 498 125)	(898 084)
Other payables (non exchange)	(667 516)	(889 972)	61 109	(889 972)
Unspent conditional grants and receipts	(8 609 852)	(1 892 025)	(8 609 852)	(1 306 093)
	(16 730 346)	**1 150 794**	**(13 574 674)**	**1 153 707**

27. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	5 091	29 683	-	29 683
	-	(29 683)	-	(29 683)
	5 091	-	-	-

Current year:

Fruitless and wasteful expenditure relates to interest paid on lease agreement.

Prior year:

An audit by SARS revealed that PAYE and skills development levy were incorrectly calculated on fringe benefits and employee costs, the resulting penalties of R 28 274 on the outstanding amount were levied during the current financial year. An objection was raised by the District Municipality to waiver the penalty however this was disallowed by SARS resulting in the payment being made. The matter was investigated and no deliberate or negligent intent was found. The incident is to be reported to Council to be condoned and written off.

28. Irregular expenditure

Opening balance	20 953 045	29 088 760	20 703 045	29 088 760
Add: Irregular Expenditure - current year	12 284 371	10 431 750	12 284 371	10 181 750
Less: Amounts condoned	(32 987 416)	(18 566 825)	(32 987 416)	(18 566 825)
Less: Amounts recoverable (not condoned)	2 097 699	-	1 847 699	-
	2 347 699	**20 953 685**	**1 847 699**	**20 703 685**

Analysis of expenditure awaiting condonation

Current year	2 347 699	20 953 685	1 847 699	20 703 685

Details of irregular expenditure – current year

Services procured through a contract secured by another organ of state	12 284 371

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

29. Unauthorised expenditure

Unauthorised expenditure	-	290 690	-	290 690
Less: unauthorised expenditure condoned	-	(290 690)	-	(290 690)
	-	-	-	-

Current Year:

No unauthorised expenditure were incurred during the current finanancial year..

Prior year:

The Abattoir department overspent by R 26 045. an amount of R264 845 was due to an overspending on the budgeted actuarial valuation costs for post-retirement medical aid which increased by more than projected due to the relocation of fire fighters from local municipalities to WDM.

30. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 005 660	-	1 005 660	-
Current year subscription / fee	1 082 090	1 005 660	1 082 090	1 005 660
Amount paid - current year	(1 004 222)	-	(1 004 222)	-
	1 083 528	**1 005 660**	**1 083 528**	**1 005 660**

Audit fees

Current year subscription / fee	2 738 752	2 774 447	2 738 752	2 774 447
Amount paid - current year	(2 738 752)	(2 774 447)	(2 738 752)	(2 774 447)
	-	-	-	-

lThe above Audit fees amount of R 2 738 752 is for the year end 2017/18 financial years:

UIF

Current year subscription / fee	551 121	533 993	551 121	533 993
Amount paid - current year	(551 121)	(533 993)	(551 121)	(533 993)
	-	-	-	-

PAYE

Current year subscription / fee	16 556 658	15 696 001	16 556 658	15 696 001
Amount paid - current year	(16 558 658)	(15 696 001)	(16 556 658)	(15 696 001)
	-	-	-	-

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

30. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	22 792 237	22 027 330	22 792 237	22 027 330
Amount paid - current year	(22 792 237)	(22 027 330)	(22 792 237)	(22 027 330)
	-	-	-	-

VAT

VAT receivable	6 265 546	1 767 428	8 265 546	1 767 428

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

In terms of section 36 of the Municipal Supply Chain Management Regulations, the Municipal Manager may dispense with the official procurement process in certain instances and ratify minor breaches. Any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

These expenses incurred, approved by the Municipal Manager and reported to Council, are listed below:

Incident				
Deviations on goods and services less than R 30 000	17 444	286 787	17 444	286 787
Deviations on goods and services between R 30 000 and R 200 000	216 740	1 141 383	216 740	1 141 383
Deviations on goods and services more than R 200 000	-	4 068 245	-	4 068 245
	234 184	**5 496 415**	**234 184**	**5 496 415**

Incident				
Urgent and emergency procurement	-	1 382 978	-	1 382 978
Limited bidding procurement	234 184	4 113 438	-	4 113 438
	234 184	**5 496 416**	-	**5 496 416**

Notes to the Financial Statements

	Group		Municipality	
	2019	2018	2019	2018

31. Commitments

Commitments are stated inclusive of VAT.

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	15 619 817	-	15 619 817	-
• EPWP Project	-	1 000 000	-	1 000 000
	15 619 817	**1 000 000**	**15 619 817**	**1 000 000**
Not yet contracted for and authorised by accounting officer				
• Property, plant and equipment	3 652 654	-	3 652 654	-
Total capital commitments				
Already contracted for but not provided for	15 619 817	8 098 638	15 619 817	8 098 638
Not yet contracted for and authorised by accounting officer	3 652 654	-	3 652 654	-
	19 272 471	**8 098 638**	**19 272 471**	**8 098 638**

Total commitments

Total commitments				
Authorised capital expenditure	19 272 471	8 098 638	19 272 471	8 098 638

The capital commitments relates to capital projects and will be financed from grants received.

The operational commitments will be financed from own resources and donations.

The municipality has entered into a 5 year contract with ABSA Bank for the provision of banking services commencing on 1 July 2015. Normal banking charges will be incurred under the contract and does not include an overdraft facility.

	Group		Municipality	
	2019	2018	2019	2018

32. Contingent liabilities

	2019	2018
The following are legal cases pending at year end and the potential liability thereof: Mohale Incorporated - defend action against breach of contract Alleged contract breach with Limpopo Business Support Aagency (LIBSA) due to not meeting reporting requirement.	1 800 000	1 800 000
IMATU - Review of arbitration award received.	228 714	
Tshatshu consulting - Legal advise on suppliers failure and refusal to deliver as per specifications.	260 762	
Waltkons meat group - Suppliers failure to pay after services were rendered	135 678	
XLP document solution - Legal opinion on services procured through an irregular procurement process	271 957	
SAWMU - Labour dispute	80 785	
Development and draft tender document - Draft and develop tender document	126 454	
Thabazimbi water waste treatment - Review tender documents and the supply chain management policy	114 986	

33. Related parties

Relationships

Waterberg Economic Development Agency	Municipal entity

Related party transactions

Waterberg Economic Development Agency (WEDA) is currently active. Waterberg District Municipality incurred expenditure for the establishment of WEDA and transferred R 2 500 00 (2016/2017), and R3000 000 (2017/2018) as a grant to (WEDA)..

The district municipality provides support to the local municipalities in the district. Fire fighting is a funded mandate of Water District Municipality which is performed by local municipalities.

Key management personnel:	Municipal Manager, Chief Financial Officer, Manager: Infrastructure Development, Manager: Planning & Economic Development, Manager: Corporate Support &Share Services, Manager: Social Development & Community Services and Manager: Executive Support Office
Municipal councillors:	Executive Mayor, Speaker, Mayoral Committee Members and Councillors

34. Risk management

39.1 Financial risk management

The main risks of the Municipality are interest rate risk, liquidity risk, credit risk and the fair value of financial instruments.

34. **Risk management (continued)**

39.2 Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group's strong credit profile and diversified funding sources ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Municipality

At 30 June 2019

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	5 492 497	-	-	-
Consumer deposits	-	-	2 000	-

39.3 Market risk

39.3.1 Currency risk

The Municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No.56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

39.3.2 Fair value of financial instruments

At year end the carrying amounts of cash and short-term deposits, trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

39.3.3 Cash flow interest rate risk

The municipality's interest rate risk arises from investments. Investments at variable rates expose the municipality to cash flow interest rate risk. Investments at fixed rates expose the municipality to fair value interest rate risk. The municipal policy is to not invest more than 35% of funds with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are fixed rate investments.

At year-end, financial instruments exposed to interest rate risk were as follows:

Financial Instrument	Group - 2019	Group - 2018	Municipality - 2019	Municipality - 2018
ABSA Bank current account	177 020	11 751 587	177 020	11 751 587
Call deposits	17 000 000	10 928 546	17 000 000	10 928 546
60 Days fixed deposits	10 013 856	32 071 842	10 013 856	32 071 842
90 Days fixed deposits	20 000 000	31 157 631	20 000 000	31 157 631
6 months fixed deposits	40 000 000	34 584 684	40 000 000	34 584 684
30 Days fixed deposits	-	10 039 616	-	10 039 616

35. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

We draw attention to the fact that at 30 June 2019, the municipality had accumulated surplus of R 120 760 249 and that the municipality's total assets exceed its liabilities by R 120 760 249.

There was a Board meeting in October discussiing the continuition of WEDA and a decision was taken to disestablish WEDA due to a lack of funding. Waterberg District Municipality's Council resolved to disestablish WEDA on 30 May 2019, resolution number A211/2019

The municipality will continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseable future, as a going concern.

36. Events after the reporting date

There are no material events that occurred after the reporting date.

37. In-kind donations and assistance

The Municipality did not receive any in-kind donations and assistance during the financial year.

38. Agent Principle relationship

Waterberg District Municipality (WDM) entered into agreement with Thabazimbi Local Municipality (TLM) in 2015/16 financial period for the implementation of the waste water treament plant located in Thabazimbi, funded by the municipality infrastrucure Grant which was initially allocated to (TLM) , but subsequently stopped and re-allocated to WDM by the department of corporative Governance and traditional affairs..

	Group		Municipality	
	2019	2018	2019	2018
Municipal infrastructure Grant	7 098 638	6 241 308	7 098 638	6 241 308
	-	19 400 000	-	19 400 000
Condition met	(7 030 851)	(18 542 670)	(7 030 851)	(18 542 670)
Subtotal	67 787	-	67 787	-
Balance	67 787	7 098 638	67 787	7 098 638

39. Prior period errors

Waterberg District Municipality has performed an investigation on all transactions from 2014/15 financial year to 2018/19 financial year. Additional irregular expenditure was discovered. The irregular expenditure was incurred as a result of improper application of the Municipal Financial Manage Act and Supply Chain Management Regulations. 2017/18 financial statements have been adjusted to reflect the revised balance of irregular expenditure.

Bela-Bela Local Municipality has donated a fire station building in May 2017. Waterberg District Municipality fire Services Department is utilizing the building pending finalisation of the donation process.

Trade receivable to the value of R914 270 were incorrectly accrued in the 2016/17 financial year. Prior year figures were reinstated to reflect the correct balance.

Trade and other payables were also restated, creditors that was raised but services never rendered were reversed as well as additional creditors were raised and reversed.

Post-retirement health care expenditure, repairs and maintenance, contracted services and long service award expenditure were classified as general expenditure, prior period figures have been reinstated to reflect the appropriate classification.

Employee benefit obligation for long term and short term did not agree to report, figures were amended in order to agree to the experts report.
The correction of the error(s) results in adjustments as follows:

Statement of financial position		Audited AFS	Restated AFS	Restatements
Property, plant and equipment	-	48 093 829	48 655 097	561 268
Receivables from non-exchange transactions	-	1 131 161	216 891	(914 270)
VAT receivable	-	1 776 651	1 767 428	9 223
Payables from exchange transactions	-	5 537 316	4 493 293	(1 044 023)
Employee benefit obligation (current liability)	-	682 745	642 745	40 000
Employee benefit obligation (non-current liability)	-	24 295 143	24 335 143	(40 000)
Nett assets	-	130 018 739	130 700 537	(681 798)

Statement of financial performance		Audited AFS	Restated AFS	Restatements
Post-retirement health care expenditure	-	2 089 719	-	(2 089 719)
Long-service award expenditure	-	563 421	-	(563 421)
Depreciation and amortisation	-	6 415 577	6 472 210	56 633
Repairs and maintenance	-	3 282 072	-	(3 282 072)
Project expenditure	-	10 026 646	8 123 663	1 902 983
General expenditure	-	22 023 318	36 387 556	14 364 238

The disclosure of irregular expenditure has been amended as follows:				
Opening balance	-	19 981 639	29 241 572	18 259 933
Irregular expenditure - current year	-	329 319	10 181 750	9 852 431
Less amounts to be investigated by financial misconduct board	-	6 312 557	-	6 312 557
Add amounts to be investigated by financial misconduct board	-	6 312 557	-	(6 312 557)
Less amount condoned	-	-	(18 720 277)	(18 720 277)